

Audit Committee – 22nd September 2011

6. 2010/11 Annual Governance Report

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Purpose of the Report

This report introduces the Audit Commission's Annual Governance Report for 2010/11 (attached at pages 7 to 34).

Recommendations

- (1) That the Audit Committee considers the matters raised in the report.
- (2) Note the draft Auditor's report as outlined in Appendix 1 and amendments made to the Statement of Accounts in Appendix 2.
- (3) Note the draft Auditor's report as outlined in Appendix 3 and support management's decision not to adjust the financial statements.
- (4) Note that the Value for Money criteria has been met.
- (5) Agree the recommended action in Appendix 5 and note that it has been actioned.
- (6) Approve that the Assistant Director – Finance and Corporate Services signs the representation letter outlined on pages 35 – 36 on behalf of SSDC.

Background

The Audit Commission as part of their work report on the overall financial statements and governance of South Somerset District Council. The review of these reports is included within the remit of the Audit Committee under its terms of reference as follows:

"To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken"

"To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised"

The Report

The report summarises the findings from the 2010/11 work of the Audit Commission relating to governance. It covers the following areas:

The Statement of Accounts/Annual Governance Statement

The Audit Commission report gives an unqualified opinion on the financial statements for 2010/11. It also outlines that in all material respects the Council has complied with the requirements of IFRS (International Financial Reporting Standards), which were introduced for the 2010/11 accounts. This was seen as the key risk when the Audit Manager planned the audit.

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There are some areas under accounting practices, policies, estimates and financial disclosures that the Auditor will discuss with the committee.

The report also outlines a weakness in internal control where at the year-end there was a backlog of seven weeks in the processing of amendments from the Valuation Office into the council tax system. The reason for delay at the time was that there was a new post holder in place. As at the 6th September all amendments were up to date to the 29th August and the aim is to continue to complete these within one week of receipt.

There are some errors that have been found in the statements which, have been agreed and amended (See appendix 2)

However, two errors have not been amended:

- One invoice has not been accrued for within the accounts understating expenditure and overstating the value of general fund balances by £56k.
- The authority has treated a lease of land to another organisation of £3,000 per annum for 125 years as an operating rather than a finance lease

In the letter of representation I have outlined that in my opinion one or both of these amendments would not materially affect the statements nor necessarily assist the reader in understanding the statements. The time that would be required to make these amendments would also outweigh the benefit in making those amendments.

Value for Money

The Audit Commission is required to make a statement on whether the authority has made arrangements for securing economy, efficiency and effectiveness in its use of resources. This is now measured by two criteria as follows:

- Financial resilience;
- Securing economy efficiency and effectiveness.

The Audit Commission has assessed arrangements at SSDC meet the criteria.

Peter Lappin, the Audit Manager from the Audit Commission will be attending the meeting.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: *Audit Commission Annual Governance Report 2010/11*
2010/11 Annual Statement of Accounts
